

EASTERN UNIVERSITY, SRI LANKA  
FACULTY OF COMMERCE AND MANAGEMENT

Third Year First Semester Examination in Bachelor of Business Administration

2016/2017 (October 2018)

Proper/Repeat

MGT 3033 Business Environment

Answer All Question

Time: 03 Hours

Read the following case study and answer the questions given below.

**Shui Fabrics**

Betzell, general manager for the past five years of a joint venture between Ohio-based Rocky River Industries and Shanghai Fabric Ltd., was feeling caught in the middle these days. As he looked out over Shanghai's modern gleaming skyline from his corner office, Ray knew his Chinese deputy general manager, Zing Wai, couldn't be more pleased with the way things were going.

Five years ago, Rocky River had launched Shui Fabrics, a 50-50 joint venture between the U.S. textile manufacturer and the Chinese company, to produce, dye, and coat fabric for sale to both Chinese and international sportswear manufacturers. After many obstacles, considerable red tape, and several money-losing years, the joint venture was fulfilling Zing Wai's expectations and those of the local government and party officials who were keeping careful tabs on the enterprise much more quickly than he'd anticipated. By providing jobs to close to 3,000 people, Shui was making a real contribution to the local economy. Job creation was no small accomplishment in a country where outside experts estimated that the actual (as opposed to the official) unemployment rate routinely hovered at 20 percent.

From Zing Wai's point of view, Shui was generating just the right level of profit not too little and, just as importantly, not too much. With so many U.S - Chinese joint ventures still operating in the area, Zing Wai saw no reason Ray's American bosses shouldn't be more than satisfied with their 5 percent annual return on investment. But those earnings weren't going to land him in hot water with local authorities, many of whom still viewed profits made by Western companies on Chinese soil as just one more instance of exploitation in a long history of foreign attempts at domination.

Zing Wai had been secretly heard on the conversation Ray had just had with Rocky River president Paul Danvers, the Chinese manager would have certainly been dismayed. Ray, who'd thoroughly enjoyed his time in China, was painfully aware of the quiet frustration in his boss's voice as it traveled over the phone lines from the other side of the world. To be sure, Paul conceded, Shui had cut Rocky River's labor costs, given the company access to the potentially huge Chinese

market, and helped protect the firm against the uncertainty surrounding the periodically contentious U.S.–Chinese textile trade negotiations. Current U.S. tariffs and quotas could be in place at any time.

“But a 5 percent ROI is just pathetic,” Paul complained. “And we’ve been stuck there for years now. At this point, I’d expected to be looking at something more on the order of 20 percent.” He pointed out that greater efficiency plus incorporating more sophisticated technology would allow Shui to reduce its workforce substantially and put it on the road to a more acceptable ROI. “I’m well aware of the fact that the Chinese work for a fraction of what we’d have to pay American workers, and I do appreciate the pressure the government is putting on you guys. But still, it doesn’t make any sense for us to hire more workers than we would in a comparable U.S. plant.”

After an uncomfortable silence, during which Ray tried and failed to picture broaching the subject of possible layoffs to his Chinese counterparts, he heard Paul ask the question he’d been thinking about: “I’m beginning to think it’s time to pull the plug on Shui. Is there any way you can see to get around, Ray, or should we start thinking about other options? Staying in China is a given, but there has to be a better way to do it.”

### Questions

- a) Explain the main Economic, Legal-Political, and Sociocultural differences, and their influence on the relationship between the partners in Shui Fabrics? (08)
- b) How would you define Shui’s core problem? Are sociocultural differences the underlying cause of this problem? Why or why not? (06)
- c) If you were Ray Betzell, what other options to the 50-50 joint venture would you consider for manufacturing textiles in China? (03)
- d) Critically evaluate that one of these options (stated in the above question “c”) is more likely to meet Rocky River’s expectations than the partnership already in place at Shui Fabrics. (05)

1. Illustrate the significance of Business Environment with suitable examples. (06 Marks)
- b) "Studies suggest that the right fit between culture, strategy and the environment is associated with four categories or types of culture". Explain the four different type of Corporate Culture with a suitable diagram. (06 Marks)
- c) Briefly explain the different types that are used by the organizations to Adapt to their Environment in turbulence situations. (08 Marks)
- (20 Marks)**
- a) Explain the Important aspects of the Legal environment of international management of a business. (04 Marks)
- b) "Not only that the political environment poses direct risks to the Multinational firms, but also the politics is the component of other external risks". Briefly explain the negative effects of the politics on multinational firms. (06 Marks)
- c) Using circular flow analysis, suggest why a large programme of capital expenditure by government (e.g. on new motorways, roads, railways) will benefit businesses. (06 Marks)
- (16 Marks)**



Q 04.

- a) "Psychologist Dr Geert Hofstede published his cultural dimensions model at the end of the 1970s, based on a decade of research". Describe Hofstede's six Cultural dimensions taking Sri Lankan culture as an example. (08)
- b) Assume that, you have been appointed to identify a new B2C e-retailing business model. Suggest one type of B2C e-retailing business model and explain how your proposed business model will generate income. (08)
- c) Describe the four basic levels of international business activity. Do you think your organization will achieve the fourth level? Why or why not? (06)

Q 05.

- a) Explain three different kinds of responses by the businesses to show their concern for the business environment. (06)
- b) Organizations can make use of a wide variety of techniques to assist in an analysis of the Business Environment. Explain the various Techniques used for analyzing the Business Environment. (08)
- c) Select a firm or Industry of your choice, undertake a PESTEL analysis indicating the major environmental influences to be faced by the firm/industry in the next three years. (08)